

Message

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Subject: Article of interest

Something to pay attention to going forward if BYD is looking to get into school bus market

U.S. funding ban for Chinese buses arrives, disrupting transition to electric

BYD, a major Chinese electric vehicle company, wanted to be a player in electric buses, but its position is in doubt.

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An all-electric, zero-emissions bus produced by China's BYD Co. is parked at the announcement of the opening of an electric bus manufacturing plant in Lancaster, Calif. (AP/Reed Saxon)

By [Ian Duncan](#)

December 17, 2021 at 6:00 a.m. EST

A ban on federal transit funding for manufacturers linked to China goes into effect Monday, threatening to disrupt a major manufacturer of electric buses as transit agencies across the country prepare to spend billions in new infrastructure dollars to replace diesel fleets.

The restrictions take aim at BYD, a Chinese maker of electric vehicles. In its telling, the company embodies significant chunks of President Biden's agenda, building zero-emission buses at a unionized factory that employs hundreds of people in a struggling part of Los Angeles County.

Frank Girardot, a BYD spokesman, described the company as a global business with American investors that happens to be headquartered in China — and that is being unfairly targeted in the United States.

“We’re not China,” he said. “We’re a private company. We’re a union company.”

The company’s experience reflects the broad economic competition between China and the United States. It also demonstrates how the two nations’ contentious relationship is shaping efforts to deploy emissions-cutting technologies, with American leaders showing increasing willingness to bolster domestic companies.

Federal transit officials say the funding ban won’t slow the transition to electric buses, but is likely to cause disruptions because BYD is a major player in an industry where federal funding helps to pay for buses that cost close to \$1 million apiece.

Metro’s next-generation rail cars will not be made in China

Congress adopted the restrictions in 2019, responding to concerns from unions and industry groups about unfair competition by Chinese makers of buses and trains, and potential economic and cybersecurity risks. Lawmakers sought to limit BYD’s inroads into the United States by barring it from tapping federal transit funds.

Sen. Sherrod Brown (D-Ohio), chairman of the Banking, Housing and Urban Affairs Committee, said he didn’t take lightly the step of levying restrictions on a unionized company.

“But it’s simply a false choice to think that the deployment of electric buses means we must rely upon Chinese state-supported enterprises in perpetuity,” he said. “Plenty of electric, pollution-free buses can and will be made in the U.S., including by U.S.-owned companies. American taxpayer dollars will not be used to prop up companies tied to the Chinese government.”

Major transit agencies have slowly adopted electric buses — the Washington region’s Metrobus system doesn’t expect to complete the transition until 2045 — but the Biden administration has touted them as key to its plans for the nation’s transportation infrastructure. Vice President Harris got behind the wheel of an electric bus during a trip to Charlotte this month.

Vice President Harris tours the electric vehicle operations at a Charlotte Area Transit System bus garage this month. (Logan Cyrus/Agence France-Presse/Getty Images)

Federal Transit Administration data from 2020 listed 1,369 zero-emission buses on the road, a category that includes battery-powered buses and those that run on overhead wires or hydrogen cells. Of those, 205 were made by BYD, 338 by Proterra and 598 by New Flyer.

BYD says it has capacity to build as many as 1,500 buses annually at its California plant, but Proterra and New Flyer say they are ready to meet growing demand.

Proterra spokesman Shane Levy said the company has the capacity to build 680 buses a year at its factories in South Carolina and California. "The transition to zero-emission transportation is fully achievable on an aggressive timeline," he said.

Lindy Norris, a New Flyer spokeswoman, said the company has bet on a flexible strategy that gives customers a choice of propulsion types. "We believe it's not if, but when, all buses become zero-emission," she said.

In a statement, the FTA said the agency "is confident the industry is capable of supporting transit agencies looking to procure electric vehicles to convert to electric vehicles or expand their electric fleets."

But the funding restrictions are likely to have consequences, said Dan Raudebaugh, executive director of the Center for Transportation and the Environment, an organization that helps transit agencies electrify that is backed by BYD, Proterra and New Flyer. He said not being able to access federal money would have a "significant impact" on BYD.

"BYD has been one of the larger manufacturers of electric buses currently in the market, so the impact to supply could be significant in the short term," he said. "From a long-term perspective, the FTA funding ban reduces the available competition that reduces costs and drives innovation."

Girardot, the BYD spokesman, downplayed the potential for problems. He said the company has orders on the books, which it is allowed to fulfill, and gaps in the ban should allow it to continue to make sales for now.

Agencies that already have entered into contracts with BYD can continue to use federal funds for five years. They also can use state or local funding to buy buses.

"We're building a product that is essential to cleaning up the environment," he said. "It seems highly unlikely that when all the cards are dealt that we're not going to be a part of the solution."

Despite the funding ban, some transit agencies have continued to order BYD buses. Often serving smaller communities, such agencies now find themselves entangled in a competition between the world's two largest economies. Officials at those agencies expected to have a long-term partner in BYD but said they are unsure about the future.

"It's stressful," said Angie Peters, general manager of Walla Walla's Valley Transit in eastern Washington state. The agency operates a fleet of four 35-foot BYD buses styled to look like old-fashioned trolleys.

Peters said buses are a significant expense she can't cover with local funds. Walla Walla Valley Transit hoped to place an order for more buses before the deadline, but other projects took priority.

Peters said switching to another supplier poses obstacles: Maintenance technicians would need two sets of training, it would require more storage for spare parts and the agency would have to install separate charging infrastructure.

What's more, no other manufacturer makes a 30-foot bus, the only kind Peters said is suitable on some of her agency's routes.

Congress included the funding ban in the 2020 National Defense Authorization Act, targeting not only buses but the state-owned China Railway Rolling Stock Corp., which was expected to bid on Metro's next generation of trains. Advocates for the restrictions cited cybersecurity concerns and fears about China gaining a hold on critical industries.

China's state-owned rail-car builder looks close to bidding on Metro contract; also eyeing N.Y. subway work

American labor unions and industrial associations have continued to lobby against BYD. They raised concerns in recent months as Congress debated the \$1.2 trillion infrastructure package, which includes a major expansion of the federal government's support for transit agencies. Transportation unions wrote again to Congress this month amid debate over this year's version of the defense bill, urging lawmakers not to weaken the restrictions.

"The nation's shared economic and national security interests are jeopardized when our own tax dollars enable China's efforts to dominate global markets and corner production of emerging technologies, including rechargeable batteries, electric vehicles, and other clean energy platforms," the unions wrote.

Union officials emphasized how China uses economic power to advance its strategic objectives, as well as the threat BYD and CRRC pose to American jobs.

Ilaria Mazzocco, a fellow at the Center for Strategic and International Studies focused on Chinese business, said that while China does intervene heavily in its economy, she has seen "no evidence actually that there's a national security rationale for keeping a Chinese bus manufacturer out of the U.S."

"No one has been able to convince me that the bus industry is that strategic," Mazzocco said.

Globally, the United States is a small market for buses. Nationwide, transit operators run about 65,000 buses, according to Federal Transit Administration data, and only a fraction are battery-powered. Meanwhile, there are 16,000 electric buses on the streets of a single Chinese city.

The infrastructure package aims to expand transit options and electrify fleets, significantly expanding a grant program for low- and no-emissions buses. (It also includes a provision that a portion of the funding must continue to go to buses that emit carbon.)

Federal program to cut bus emissions gets a Senate mandate: Some buses must pollute

Yet electric buses are in their infancy in the U.S. and have been beset by concerns about their range and power. Albuquerque returned 15 BYD buses in 2018 after concluding they underperformed and had brake problems. Girardot acknowledged the company had experienced a learning curve.

Ed Archer, maintenance manager at Link Transit, which serves the Wenatchee, Wash., area, said the first five buses BYD delivered suffered significant range reductions in both hot and cold weather, but the company replaced them and the transit agency has seen no subsequent issues.

“We stuck with it because we saw the technology was going to work and they could make it work,” Archer said. Archer said Link has a pending grant application with the FTA to buy eight more BYD buses, but that the prospects of it gaining approval are in doubt.